

PROPOSED RESOLUTION

Resolution W-5202
WD

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Item #17 8/8 1pm

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION W-5202
August 15, 2019

RESOLUTION

(RES. W-5202) RIO PLAZA WATER COMPANY. ORDER
AUTHORIZING A SURCHARGE OF \$2.88 PER MONTH PER
CUSTOMER, FOR A PERIOD OF TWELVE MONTHS, TO
RECOVER THE BALANCE OF \$17,996 RECORDED IN ITS
GROUNDWATER MANAGEMENT MEMORANDUM
ACCOUNT, TO BE PAID BY THE RATEPAYERS.

SUMMARY

By Advice Letter (AL) 75-W, filed on March 20, 2019, Rio Plaza Water Company (Rio Plaza) seeks to recover \$17,996, or 4.48% of the utility's total revenue requirement, for groundwater extraction fees imposed by Fox Canyon Groundwater Management Agency during 2018, as recorded in Rio Plaza's Groundwater Management Memorandum Account (GMMA).¹ Rio Plaza requests authority to impose a \$2.88 monthly surcharge for a period of twelve months to recover the \$17,996 in extraction fees, the incremental increase in volume related expenses from those authorized previously by Resolution W-5154.

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1. On April 25, 2019, by Decision (D.) 19-04-015, the Commission approved the sale and transfer of Rio Plaza to California-American Water Company (Cal-Am). Cal-Am will continue to provide water utility service to Rio Plaza's customers under existing rates until it is consolidated for ratemaking purposes with Cal-Am's Los Angeles District in Cal-Am's next General Rate Case for Test Year 2021. The relief requested by AL 75-W is therefore not impacted by the change of ownership from Rio Plaza to Cal-Am.

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This Resolution authorizes a surcharge of \$2.88 per month per customer, for a period of twelve months, to recover the \$17,996, incremental volume related expenses recorded in the Rio Plaza's GMMA.

BACKGROUND

Rio Plaza has requested authority under General Order (GO) 96-B and Section 454 of the Public Utilities (PU) Code to increase rates to recover the incremental increase in volume related expenses incurred for groundwater extraction fees imposed by Fox Canyon Groundwater Management Agency (FCGMA), as recorded in the utility's GMMA.

Rio Plaza's present rates became effective on January 1, 2018, pursuant to Resolution (Res.) W-5154, which authorized a general rate increase in the amount of \$69,684, or 21.00%, for TY 2018.

For ratemaking purposes Rio Plaza is currently classified as a Class C water utility with 520 service connections.² Rio Plaza Subdivision is located in the vicinity of El Rio, approximately three miles north of Oxnard, in Ventura County. The median household income for El Rio is \$63,769.³

When AL 75-W was filed by Rio Plaza on March 20, 2019, the joint Application (A.) 17-12-006 by California-American Water Company (Cal-Am) and Rio Plaza for the purchase of Rio Plaza by Cal-Am was pending before the Commission. On April 25, 2019, the Commission approved Cal-Am's request to purchase Rio Plaza by Decision (D.)19-04-015. The authority for Cal-Am to operate Rio Plaza's water system is conditioned on Cal-Am receipt of an operating permit from the State Water Resources Control Board (SWRCB) which Cal-Am obtained on May 24, 2019.⁴ The change of

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2. As defined in General Order 96-B Water Industry Rules Section 1.2, Class B, C, and D utilities serve 2,001 through 10,000, 501 through 2,000, and less than 500 service connections, respectively.
 3. <http://www.city-data.com/city/El-Rio-California.html>
 4. SWRCB Permit Number 04-06-19P-004 for System Number 5610010, dated May 24, 2019.

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ownership of Rio Plaza by Cal-Am does not impact the relief requested in AL 75-W since the consolidation of Rio Plaza's service area for ratemaking purposes with Cal-Am's Los Angeles County District will be considered in Cal-Am's General Rate Case (GRC) for Test Year (TY) 2021.⁵ Cal-Am will therefore continue to provide water utility services to Rio Plaza's customers under current authorized rates until the consolidation of Rio Plaza with Cal-Am's Los Angeles District is approved.

Rio Plaza established its GMMA on January 27, 2006 by AL No. 42-W, per the authority provided by Commission Res. W-4467, dated April 22, 2004.

Rio Plaza incurred \$17,996 in extraction fees from FCGMA due to exceeding its 2018 allocated amount of water by 12.318 Acre-Feet (AF). Rio Plaza's water extraction allocation for 2018 was 224.256 AF, and during 2018, the utility extracted 236.574 AF to meet its customers' water usage demand. Consequently, Rio Plaza was charged additional extraction fees in the amount of \$1,461 per AF above its allocated amount, which amounted to the \$17,996 and was recorded in utility's GMMA. Rio Plaza now seeks to recover the GMMA balance of \$17,996 by imposing a surcharge of \$2.88 per month per customer, for a period of 12 months.

NOTICE AND PROTESTS

AL 75-W was served on March 20, 2019, in accordance with the provisions of GO 96-B. A customer notice of the proposed rate increase was mailed to each customer and to the general service list on June 3, 2019.

One protest was received on AL 75-W filing, and the utility responded to the customer's protest. The customer in its protest opposes the utility's request and believes that the relief requested by AL 75-W is unreasonable and requires a formal hearing. No specific information is provided by the customer to substantiate the need for a formal hearing for the relief requested by Rio Plaza in AL 75-W

Rio Plaza in its response to the customer protest notes that the Commission authorized its GMMA to provide the utility the opportunity to seek recovery of surcharges

5. D.19-04-015, pg. 23.

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imposed by FCGMA for groundwater pumping in excess of its annual allocation amount. Furthermore, the approved GMMA provides the utility the authority to request cost recovery of these additional charges through an AL filing. The reasonableness of the relief requested by Rio Plaza in AL 75-W is discussed below.

DISCUSSION

By AL 75-W, filed on March 20, 2019, Rio Plaza seeks to recover the increased operational costs incurred for groundwater extraction fees imposed by FCGMA, as recorded in the utility's GMMA. The increase requested herein is for recovering through a surcharge, on a dollar-for-dollar basis, the increased operational costs which Rio Plaza recorded and tracked in its GMMA.

When a utility seeks recovery of costs recorded in a memorandum account, it has the burden to demonstrate it meets the following standards:

- 1) it acted prudently when it incurred these costs;
- 2) the utility paid reasonable amounts for these costs;
- 3) the memorandum account costs are not recovered by other authorized rates;
and
- 4) it is appropriate for ratepayers to pay for these costs in addition to otherwise authorized rates.

The Water Division (WD) finds that Rio Plaza acted prudently in incurring the incremental volume related expenses recorded in its GMMA. Based on the WD's analysis of Rio Plaza's customer water usage data, reported in the company's annual reports from 2013 through 2018, customers' water consumption in 2018 remained at approximately 14.00% below 2013 water consumption. Rio Plaza's customers achieved the highest level of water conservation during 2015 when they reduced their water usage by approximately 20.00%. The water usage data also shows a 2.51% decrease in water use in 2018 from 2017. Rio Plaza continues to monitor its customers' water usage and encourages its customers to conserve and use water more efficiently by sending them quarterly water conservation updates and water conservation reminders. Rio Plaza has also implemented tiered metered rates with a three-tier rate structure to further encourage water conservation. Should water consumption continue to remain above the current FCGMA's annual allocated amount, the WD recommends considering an adjustment to the volumetric rates charged and usage amounts used under the current tiered rates in the utility's next general rate case, to further encourage

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water conservation and minimize the need to impose additional surcharges on its customers. This tiered rate design modification may include increasing the tiered rate differential by placing a higher percentage of the utility's volumetric costs on the higher tiers and also adjusting the usage quantities. Accordingly, the WD finds that Rio Plaza acted prudently since the additional ground water extraction fees incurred by Rio Plaza were beyond the utility's control and resulted from extracting water beyond its 2018 allotted amount, in order to meet its customers' water usage demand.

With respect to the 2nd standard, the WD reviewed the incremental volume related expenses recorded in Rio Plaza's GMMA and found them to be prudent and reasonable since it is a set fee that FCGMA charged the company per AF for exceeding its 2018 groundwater extraction allocation amount.

With respect to the 3rd standard discussed above, the WD reviewed the applicable GRC for volume related expenses for 2018, authorized by Res. W-5154 on December 14, 2017, and ascertained that the incremental increase in volume related expenses were not authorized in rates. Therefore, Rio Plaza did not receive revenues for these incremental incurred expenses accrued in its GMMA. Accordingly, recovering these expenses now would not amount to double recovery and is reasonable.

The WD finds it appropriate for ratepayers to pay for these costs, since groundwater extraction fees were incurred to provide ratepayers with water service by ensuring that the utility had reliable and sufficient water supply to meet its customers' water usage demand. Accordingly, it is appropriate for ratepayers to pay for these incremental volume related expenses in addition to otherwise authorized rates and, therefore, Rio Plaza meets the 4th standard discussed above.

Since Rio Plaza meets each of the standards as discussed above, the WD finds it reasonable to allow Rio Plaza to recover the amount of \$17,996 from its GMMA. Rio Plaza should be permitted to transfer the \$17,996 in its GMMA to a balancing account for recovery. This surcharge will not result in a rate of return greater than the last authorized for Rio Plaza.

Affordability of Proposed Rates

At present rates with the proposed surcharge, the monthly bill for an average customer with a ¾-inch meter and using 16 CCF (one CCF is equal to one hundred cubic feet or 748.1 gallons) would increase from \$66.11 to \$68.99 or 4.36%. A monthly average bill of

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\$68.88 is 1.30% of the median household income of \$63,769 for the zip code that includes Rio Plaza's service area. The Utility Rate Comparison table below provides an annual rate comparison with nearby water utilities.

<u>Utility Rate Comparison</u>			
<u>Utility</u>	<u>Monthly Service Charge</u>	<u>CCF</u>	<u>Total</u>
	<u>3/4-inch meter</u>	<u>For 16 CCF</u>	
Rio Plaza Water Company	\$ 29.87	\$ 36.24	\$ 68.99
Warring Water Company	\$ 40.29	\$ 27.12	\$ 67.41
City of Camarillo Utilities	\$ 23.82	\$ 41.16	\$ 64.98
* Rio Plaza's total monthly bill includes the the requested surcharge.			

The Utility Rate Comparison table above shows that Rio Plaza's rates are comparable with the nearby water utilities.

It should be noted that no affordability criteria has been developed and adopted in any Commission Decision or legislation. Instead, the discussion regarding affordability is presented to indicate to the Commission the relationship between the proposed rates and local incomes.

COMMENTS

Public Utilities Code Section 311(g)(1), provides that resolutions generally must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission.

Accordingly, the draft resolution was mailed to the service list, protestants, and made available for public comment on July 16, 2019.

| No comments were received.

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SAFETY

The resolution provides adequate revenues to the utility so that it can provide safe and reliable water service to its customers. The water served by the utility meets all applicable water quality standards set forth by the SWRCB's Division of Drinking Water.

COMPLIANCE

There are no outstanding Commission orders requiring system improvements. The utility has been filing annual reports as required.

FINDINGS

1. By Advice Letter (AL) 75-W, filed on March 20, 2019, Rio Plaza Water Company (Rio Plaza) seeks to recover \$17,996 for 2018 groundwater extraction fees imposed by Fox Canyon Ground Management Agency (FCGMA) recorded in Rio Plaza's Groundwater Management Memorandum Account (GMMA) in 2018.
2. Rio Plaza requests authority to impose a \$2.88 monthly surcharge for a period of twelve months to recover the \$17,996 in extraction fees, the incremental increase in volume related expenses from those authorized by Resolution (Res.) W-5154.
3. Rio Plaza established its GMMA on January 27, 2006 by AL No. 42-W, per the authority provided by Commission Res. W-4467, dated April 22, 2004.
4. Rio Plaza incurred \$17,996 in extraction fees from FCGMA due to exceeding its 2018 allocated amount water by 12.318 Acre-Feet (AF) and was charged additional extraction fees in the amount of \$1,461 per AF above its allocated amount of 224.256 AF to meet its customers' water usage demand.
5. Joint Application (A.) 17-12-006 by California-American Water Company (Cal-Am) and Rio Plaza for the purchase of Rio Plaza by Cal-Am was pending before the Commission when Rio Plaza filed AL 75-W.
6. By Commission Decision 19-04-015, issued on April 25, 2019 the Commission approved Cal-Am's request to purchase Rio Plaza.

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7. The change of Rio Plaza's ownership by Cal-Am does not impact the relief requested in AL 75-W since the consolation of Rio Plaza's service area for ratemaking purposes with Cal-Am's Los Angeles County District will be considered in Cal-Am's next General Rate Case for Test Year 2021.
8. The expenses recorded in Rio Plaza's GMMA in the amount of \$17,996 are prudent, reasonable, and not covered by other authorized rates.
9. It is appropriate for Rio Plaza's ratepayers to pay for these costs in addition to otherwise authorized rates, since groundwater extraction fees were incurred to provide ratepayers with water service by ensuring that the utility had reliable and sufficient water supply to meet its customers' water usage demand.
10. Rio Plaza could not have reasonably anticipated groundwater extraction fees imposed by FCGMA since they are not actualized until the end of the year based on total annual water consumption for the year.
11. AL 75-W was served on March 20, 2019, in accordance with the provisions of GO 96-B. A customer notice of the proposed rate increase was mailed to each customer and to the general service list on June 3, 2019. The Water Division (WD) received one protest and the utility replied.
12. Rio Plaza should be permitted to transfer the amounts recorded in its GMMA to a balancing account for recovery.
13. Rio Plaza should be permitted to recover the amount in the balancing account by imposing a surcharge of \$ 2.88 per month per customer, for a period of twelve months.
14. This surcharge will not result in a rate of return greater than the last authorized for Rio Plaza.

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THEREFORE, IT IS ORDERED THAT:

1. Rio Plaza Water Company is authorized to transfer \$17,996 in its Groundwater Management Memorandum Account to a balancing account for recovery over a period of twelve months. Accrued interest at the 90-day commercial paper rate may be added on the uncollected amounts from the effective date of this Resolution.
2. Rio Plaza Water Company is permitted to recover the \$17,996 in the balancing account reflected in Ordering Paragraph 1 above by imposing a surcharge of \$2.88 per month per customer, for a period of twelve months.
3. Rio Plaza Water Company shall track the revenue from the \$2.88 surcharge per month per customer, for a period of twelve months, reflected in Ordering Paragraph 1 above in a balancing account and account for any over or under collected revenues in its next General Rate Case, or applicable proceeding.
4. Authority is granted under Public Utilities Code Section 454 to Rio Plaza Water Company, to file a supplemental advice letter with the revised surcharge rate schedules and concurrently cancel its presently effective Schedules No. 1 General Metered Service. The effective date of the revised rate schedules shall be five days after the date of filing.

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This resolution is effective today.

I certify that the foregoing was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on August 15, 2019; the following Commissioners voting favorably thereon:

ALICE STEBBINS
Executive Director

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RIO PLAZA WATER COMPANY ADVICE LETTER 75-W SERVICE LIST

County of Ventura

Attn: Michaela Brown
6767 Spring Road
Moorpark, CA 93021
Michaela.brown@ventura.org

Rio Plaza Water Company, Inc.

Attn: John Chris Nickel
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Moorpark, CA 93021
Chrisn148@yahoo.com

Mutual Water Company of Vineyard Avenue Estates

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California American Water

Attn: Thomas Brunet
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